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DEPARTMENT OF TRANSPORTATION

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DOCKET SECTION

BEFORE THE
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, D.C.

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| In the matter of | : | |
| Expanding International Air Service | : | |
| Opportunities to More U.S. Cities | : | Docket No. 46534 |
| | : | |

COMMENTS OF LUFTHANSA GERMAN AIRLINES

Lufthansa German Airlines (Lufthansa) submits the following comments with respect to the proposal of the Department of Transportation for expanding international air service opportunities to more U.S. cities.

Lufthansa agrees that the need exists for a change in the "traditional bilateral aviation negotiating process" so that the process better reflects "the importance to . . . [U.S.] communities of international air service, regardless of the flag of the carrier providing it." 54 Fed. Reg. 42137 (1989). A clear statutory basis exists for modifying U.S. policy to take fuller account of the needs of under-served communities. Such a modification would further the goals of the International Air Transportation Competition Act of 1979, particularly "the integration of domestic and international air transportation" and

"an increase in the number of nonstop United States gateway cities." 49 U.S.C. App. § 1502(b)(6) and (7) (1982). Congress has directed that the interests of "the traveling public," as well as the interests of U.S. air carriers, should play an important role in U.S. international air transport policy:

Certainly the long term interest of the traveling public is served by healthy U.S. international air carriers. On the other hand there are individual instances when the public interest can and should be served despite no air carrier benefits or even in rare instances negative value to private air carriers.

S. Rep. No. 329, 96th Cong., 1st Sess. 11 (1979). See also H.R. Rep. No. 602, 96th Cong., 1st Sess. 2 (1979) ("promotion of consumer benefits is an important objective of United States aviation policy").

Recently, several U.S. communities lacking non-stop international air service to continental Europe requested such service from Lufthansa. Lufthansa welcomes a proposal that could result in its obtaining the authority to serve these and other U.S. cities that are seriously disadvantaged by the absence of adequate international air services.

Unfortunately, the proposal in its current form will not have that result. When Lufthansa commits to serve a new market, it commits for the long term -- not just a season or a year. Entering a new market is a major investment decision that only

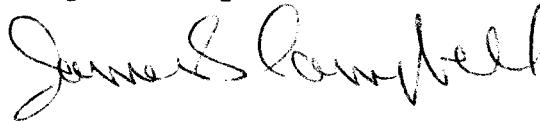
pays off over time, both for Lufthansa and for the community being served. The proposal's limitation of the new authority to "one year, renewable exemption authority" would prevent Lufthansa from applying for service to any of the cities that have requested it, because authority of that kind would be too limited and uncertain, given the novel, untested nature of the proposal under which the authority would be granted.

Under the circumstances, Lufthansa would require authority that is, as a practical matter, comparable in permanence and certainty to the gateway authority provided in a bilateral air services agreement. For example, it might suffice to have five year renewable exemption authority, with the understanding that the authority could be made permanent by agreement within the five year period. See Foreign Permit Amendments Re Alaska Authority, 88 C.A.B. 787 (1981) (ex-bilateral Alaska authority, based on benefits to Alaska economy and comity and reciprocity, granted for five years, with proviso for longer duration if authority becomes subject of bilateral agreement during five year period).

While Lufthansa is not entirely certain what is meant by each and every term of every proviso and footnote in the proposal, it believes that both the services it could provide to the under-served U.S. cities, and the U.S.-German bilateral aviation relationship as it presently exists, fully satisfy the

substance of the conditions set forth in the proposal. On that assumption, Lufthansa supports the proposal if the problem of the uncertainty of the authority can be remedied.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "James S. Campbell".

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